

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 AGRE-00 EB-07 TRSE-00 OMB-01
COME-00 CIAE-00 INR-07 NSAE-00 IGA-02 /033 W
-----055482 231055Z /10
P 230908Z JUN 77
FM AMEMBASSY DACCA
TO SECSTATE WASHDC PRIORITY 5150

C O N F I D E N T I A L DACCA 3409

PASS AID/ASIA/BIS

E.O. 11652: GDS
TAGS: EAGR, EAID, BG
SUBJ: BDG REQUESTS PL-480 RICE RATHER THAN WHEAT

REFS: (A) DACCA 337; (B) STATE 145223

1. MUCH APPRECIATE PROMPT RESPONSE TO BDG REQUEST THAT WE CHANGE THE WHEAT-RICE MIX OF THE 150,000 TON PL-480 FOODGRAIN PACKAGE NOW UNDER NEGOTIATION. ON THE MORNING OF JUNE 23, I DISCUSSED IN DETAIL WITH AIR VICE MARSHAL MAHMOOD THE TWO ALTERNATIVES DESCRIBED IN REF B. MAHMOOD EXPRESSED HIS GRATITUDE FOR OUR EFFORTS TO HELP THE BDG MEET WHAT HE SEES AS A SERIOUS RICE SHORTAGE LATE THIS SUMMER. HOWEVER, WHILE REAFFIRMING HIS BELIEF THAT ADDITIONAL RICE IS NEEDED, MAHMOOD SAID THAT PROMPT ARRIVAL OF WHATEVER FOODGRAINS WE CAN PROVIDE IS EVEN MORE IMPORTANT. RATHER THAN TAKE THE ADDITIONAL MONTH REQUIRED TO OBTAIN FINAL USG APPROVAL TO PROVIDE 25,000 TONS OF RICE INSTEAD OF WHEAT, MAHMOOD PREFERS THAT WE GO AHEAD ON THE BASIS OF THE PRESENT 50/50 SPLIT AND DO EVERYTHING POSSIBLE TO SPEED DELIVERY ONCE THE AGREEMENT IS SIGNED.

2. I TOLD MAHMOOD THAT WE HAD DONE OUR BEST TO BE
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HELPFUL, BUT THAT WE WERE PERFECTLY AGREEABLE TO GOING AHEAD ON THE ORIGINAL UNDERSTANDING IF THE BDG PREFERRED THIS COURSE. THE KEY NOW, I SAID, WAS TO REACH AGREEMENT ON SELF-HELP PROVISIONS SO THAT AN AMENDMENT TO THE PL-480 AGREEMENT COULD BE SIGNED PROMPTLY. I NOTED THAT WE WERE AWAITING A BDG COUNTER-PROPOSAL TO OUR ORIGINAL SUGGESTION. MAHMOOD SAID HE WOULD SEE THAT THIS WAS

TKAEN CARE OF IMMEDIATELY. HE SAID HE WOULD NOT WANT TO MAKE THE SELF-HELP PROVISIONS SO SPECIFIC THAT THE BDG MIGHT, BECAUSE OF UNFORESEEN DEVELOPMENTS, BE UNABLE TO LIVE UP TO THEM AND THEREBY LOSE CREDITABILITY WITH THE USG. I SAID WE WOULD BE UNDERSTANDING ON THIS AND WERE PERFECTLY WILLING TO ACCEPT APPROPRIATE CAVEATS. HOWEVER, WE ALREADY HAD A CREDITABILITY PROBLEM SINCE THE HOPES RAISED BY THE GENERAL STATEMENTS AT LAST YEAR'S AID GROUP MEETING HAD NOT REPEAT NOT BEEN BORNE OUT. THEREFORE, WHILE WE WERE WILLING TO BE FLEXIBLE, WE FELT IT IMPORTANT TO PUT SOME FLESH ON THE BONES.

3. I ALSO WENT OVER WITH MAHMOOD, AS I HAD IN OUR MEETING EARLIER THIS WEEK, THE DESIRABILITY OF CHANGING THE RATION MIX TO CONSERVE RICE IF INDEED THE SCARCITY SITUATION WAS AS SERIOUS AS HE FEARED. MAHMOOD SAID HE HAD ALREADY ISSUED ORDERS TO BEGIN CHANGING RATION ALLOTMENTS ALONG LINES DESCRIBED PARA 2 OF DACCA 3273. THE RATIO WOULD IMMEDIATELY BE SHIFTED TO TWO SEERS OF WHEAT AND ONE OF RICE UNDER THE MODIFIED RATION SYSTEM AND TO ALL WHEAT IN FOOD FOR WORK PROJECTS AND THE LARGER EMPLOYERS CATEGORY. HE SAID IT WAS NOT POSSIBLE AT THIS TIME TO SHIFT THE TWO RICE TO ONE WHEAT RATIO UNDER THE STATUTORY RATION SYSTEM AFFECTING THE URBAN AREAS. TO DO SO NOW WOULD SIGNAL TO THE TRADERS THAT THE GOVERNMENT'S POSITION WAS WEAK. THIS WOULD SPARK
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MANIPULATION OF THE MARKET, HOARDING AND UNACCEPTABLY HIGH PRICE RISES. HOWEVER, WHEN THE AUS HARVEST BEGINS TO COME IN NEXT MONTH, MAHMOOD SAID HE WOULD THEN SHIFT THE RATIO IN THE STATUTORY RATION SYSTEM AS WELL.

4. NEXT STEP IN OUR CURRENT TITLE I NEGOTIATIONS IS UP TO BDG TO PRODUCE AN ACCEPTABLE PROPOSAL REGARDING SELF-HELP PROVISIONS. WE EXPECT THEM TO MOVE FAIRLY QUICKLY WITH SOME NEW SUGGESTIONS AND WILL KEEP WASHINGTON INFORMED.
MASTERS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: RICE, WHEAT, PL 480, FOOD ASSISTANCE
Control Number: n/a
Copy: SINGLE
Sent Date: 23-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977DACCA03409
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770224-0532
Format: TEL
From: DACCA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770628/aaaaaxvh.tel
Line Count: 105
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 8f5b6078-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 DACCA 337, 77 STATE 145223
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 22-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2059756
Secure: OPEN
Status: NATIVE
Subject: BDG REQUESTS PL-480 RICE RATHER THAN WHEAT
TAGS: EAGR, EAID, BG
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/8f5b6078-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009